

SODESM PROPERTY LIMITED

Report and Financial Statements

31 December 2005

FRIDAY



AQUCULK5

A48

22/12/2006

329

COMPANIES HOUSE

SODESM PROPERTY LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	4
Note of historical cost profits and losses	5
Balance sheet	6
Notes to the accounts	7

SODESM PROPERTY LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Adrian J Pink
Anthony J Thompson

SECRETARY

Temple Secretarial Limited

REGISTERED OFFICE

16 Old Bailey
London
EC4M 7EG

BANKERS

C Hoare & Co
37 Fleet Street
London
EC4P 4DQ

SOLICITORS

Withers LLP
16 Old Bailey
London
EC4M 7EG

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cambridge

SODESM PROPERTY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

ACTIVITIES

The company's principal activity is property investment in the United Kingdom.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has made a loss before tax of £83,443 (2004 - profit of £52,253). The directors anticipate the current level of turnover to be maintained.

DIVIDENDS

The directors do not recommend the payment of a dividend (2004 - nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year were as follows:

Adrian J Pink
Anthony J Thompson

Neither director held any beneficial interest in the shares of the company or other group companies at 1 January 2005 or 31 December 2005 or at any time during the year.

FINANCIAL INSTRUMENTS

The company's use of financial instruments and credit risk are disclosed in note 16 to the financial statements.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES


The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors
and signed on behalf of the Board



13/12/05

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SODESM PROPERTY LIMITED

We have audited the financial statements of Sodesm Property Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the director's report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

19 December 2006

SODESM PROPERTY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	300,752	300,842
Administrative expenses		(261,887)	(249,345)
OPERATING PROFIT	4	<u>38,865</u>	<u>51,497</u>
Interest receivable and similar income	5	307,754	764
Interest payable and similar charges	6	(479,162)	(8)
Profit on disposal of investments		49,100	-
		<u>(122,308)</u>	<u>756</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(83,443)</u>	<u>52,253</u>
Tax on (loss) profit on ordinary activities	7	(40,449)	(30,832)
(LOSS) PROFIT FOR THE FINANCIAL YEAR		<u>(123,892)</u>	<u>21,421</u>
Accumulated losses brought forward		(1,513,424)	(1,534,845)
Transfer from revaluation reserve		29,433	-
Accumulated losses carried forward		<u>(1,607,883)</u>	<u>(1,513,424)</u>

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2005

	2005 £	2004 as restated £
Retained (loss) profit for the financial year	(123,892)	21,421
Unrealised surplus on revaluation of property (note 8)	341,667	2,000,975
Total gains recognised for the year	<u>217,775</u>	<u>2,022,396</u>
Prior year adjustment (note 14)	2,000,975	-
Total gains recognised since the last annual report	<u>2,218,750</u>	<u>2,022,396</u>

SODESM PROPERTY LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES **Year ended 31 December 2005**

	2005 £	2004 £
Reported (loss) profit on ordinary activities before taxation	(83,443)	52,253
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	29,433	-
	<u>(54,010)</u>	<u>52,253</u>
Historical cost (loss) profit on ordinary activities before taxation	<u>(54,010)</u>	<u>52,253</u>
Historical cost (loss) profit on ordinary activities after taxation	<u>(94,459)</u>	<u>21,421</u>

SODESM PROPERTY LIMITED

BALANCE SHEET 31 December 2005

	Note	2005 £	2004 restated (note 1) £
FIXED ASSETS			
Tangible assets	8	5,241,250	5,000,000
Investments	9	558,843	797,743
		<u>5,800,093</u>	<u>5,797,743</u>
CURRENT ASSETS			
Debtors			
Due within one year	10	600,694	21,137
Due in more than one year	10	3,184,454	2,804,295
Cash at bank and in hand		52,853	20,222
		<u>3,838,001</u>	<u>2,845,654</u>
CREDITORS: amounts falling due within one year	11	(1,383,332)	(606,410)
NET CURRENT ASSETS		<u>2,454,669</u>	<u>2,239,244</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,254,762	8,036,987
CREDITORS: amounts falling due after more than one year	12	(7,549,434)	(7,549,434)
NET ASSETS		<u>705,328</u>	<u>487,553</u>
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Profit and loss account		(1,607,883)	(1,513,424)
Revaluation reserve	14	2,313,209	2,000,975
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u>705,328</u>	<u>487,553</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

13/12/06

A J Paul

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of leasehold property (see Tangible Fixed Assets below).

Cash flow statement

The company is a wholly-owned subsidiary of Power Corporation of Canada and is included in the consolidated financial statements of Power Corporation of Canada which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 "Cash Flow Statements".

Going concern

The company's ultimate parent company has undertaken to provide the company with necessary financial support and accordingly the directors have prepared the financial statements on a going concern basis.

Tangible fixed assets

Tangible fixed assets (except for the long leasehold property) are recognised at cost, less amounts written off over their expected useful lives.

The company has changed its accounting policy in respect of its long leasehold property and adopted the alternative accounting rules within Financial Reporting Standard No 15 "Tangible Fixed Assets", which allow the historical cost of a tangible fixed asset to be replaced with a market value. As this is a change in accounting policy the comparative figures have been restated, but the revaluation has only been restated as at 31 December 2004 as there is not a figure available for 2003 so the revaluation has been restated in the prior year and the revaluation has not been apportioned to earlier years with a prior year adjustment with respect to 2003.

The effect of the change in accounting policy to adopt alternative accounting rules was to increase tangible fixed assets by £2,000,975 (2004 - £nil) and to increase the total recognised gains and the revaluation reserve by £2,000,975 (2004 - £nil).

In accordance with Financial Reporting Standard No 15, tangible fixed assets are revalued every 5 years by an independent valuer. Interim valuations are carried out in the third year after the full valuation and in intervening years where it is likely that there has been a material change in value. Revaluation surpluses are transferred to a revaluation reserve and amounts transferred to the profit and loss account in equal instalments over the life of the asset in relation to the revaluation element of the annual depreciation charge.

Revaluation losses are recognised in the revaluation reserve until the carrying amount falls to depreciated historical cost, with the balance being recognised directly in the profit and loss account.

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Long leasehold property	2% per annum
Fixtures, fittings and equipment	25% per annum

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rentals are charged to profit and loss in equal annual amounts over the lease term.

2. TURNOVER

Turnover comprises revenue from provision of property and services relating to Sodesm International Limited. The turnover, all of which arises in the United Kingdom, is attributable to the company's principal activity. Turnover is recognised when the economic risk and rewards are transferred to Sodesm International Limited.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Neither of the directors received any emoluments for their services to the company in this year or the preceding financial year.

	2005 £	2004 £
Staff costs during the year (including directors)		
Wages and salaries	26,129	25,402
Social security costs	12,015	13,759
	<u>38,144</u>	<u>39,161</u>
	No	No
Number of persons employed:		
Administration	<u>3</u>	<u>3</u>

4. OPERATING PROFIT

	2005 £	2004 £
Operating profit is after charging (crediting):		
Depreciation		
Owned assets	100,417	71,072
Rent received	(300,752)	(300,842)
Auditors' remuneration	<u>8,519</u>	<u>6,463</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

5. INTEREST RECEIVABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Interest receivable from group companies	307,754	-
Bank interest receivable	-	764
	<u>307,754</u>	<u>764</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Interest payable to group companies	479,162	-
Other interest	-	8
	<u>479,162</u>	<u>8</u>

7. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
Current taxation		
United Kingdom corporation tax as 30% (2004 - 30%)	-	36,887
Adjustment in respect of previous periods	40,449	(5,492)
Total current tax	<u>40,449</u>	<u>31,395</u>
Deferred taxation		
Origination and reversal of timing differences	-	(563)
Tax on (loss) profit on ordinary activities	<u>40,449</u>	<u>30,832</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

7. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2004 - 30%). The actual tax (credit) charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2005 £	2004 £
(Loss) profit on ordinary activities before tax	(83,443)	52,253
Tax on (loss) profit on ordinary activities at standard rate	(25,033)	15,676
Factors affecting (credit) charge for the year:		
Expenses not deductible for tax purposes	-	30
Permanent differences	(24,414)	21,181
Adjustments to tax charge in respect of previous periods	40,449	(5,492)
Other timing difference	49,553	-
Capital allowances in excess of depreciation	(106)	-
Total actual amount of current tax	40,449	31,395

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is approximately £300,000 (2004: £240,000). At present it is not envisaged that any such tax will become payable in the foreseeable future.

Deferred tax

The deferred taxation asset not recognised in the accounts is as follows:

	2005 £	2004 £
Other timing differences	49,553	-
Total amount of deferred tax	49,553	-

The deferred tax asset has not been recognised due to uncertainty over the availability of suitable future taxable profits.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

8. TANGIBLE FIXED ASSETS

	Long leasehold property £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 January 2005 - as originally stated	3,549,222	794,324	4,343,546
Prior period adjustment (note 1)	1,450,778		1,450,778
At 1 January 2005 - as restated	5,000,000	794,324	5,794,324
Surplus on revaluation	250,000	-	250,000
At 31 December 2005	5,250,000	794,324	6,044,324
Accumulated depreciation			
At 1 January 2005 - as originally stated	550,197	794,324	1,344,521
Prior period adjustment (note 1)	(550,197)		(550,197)
At 1 January 2005 - as restated	-	794,324	794,324
Charge in year	100,417	-	100,417
Revaluation	(91,667)	-	(91,667)
At 31 December 2005	8,750	794,324	803,074
Net book value			
At 31 December 2005	5,241,250	-	5,241,250
At 31 December 2004 - as restated	5,000,000	-	5,000,000

Flat 4 Chesham Place is subject to external valuation and was valued at 1 December 2005 by qualified professional valuers, being members of the Royal Institute of Chartered Surveyors, working for Chesterfield Chartered Surveyors, acting in the capacity of External Valuers. The property was valued on an open market basis in accordance with the RICS Appraisal and Valuation Manual.

The directors consider there have been no changes in the value of the property since the external valuation was carried out.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

8. TANGIBLE FIXED ASSETS (continued)

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

If the revalued assets were stated on the historical cost basis, the amounts would be:

	2005	2004
	£	£
Long leasehold property		
At cost	3,549,222	3,549,222
Aggregate depreciation	<u>(621,181)</u>	<u>(550,197)</u>
Net book value based on historical cost	<u><u>2,928,041</u></u>	<u><u>2,999,025</u></u>

9. INVESTMENTS HELD AS FIXED ASSETS

	Antiques
	£
Cost	
At 1 January 2005	875,600
Disposals	<u>(288,000)</u>
At 31 December 2005	<u>587,600</u>
Provision for impairment in value	
At 1 January 2005	77,857
Disposals	<u>(49,100)</u>
At 31 December 2005	<u>28,757</u>
Net book value	
At 31 December 2005	<u><u>558,843</u></u>
At 31 December 2004	<u><u>797,743</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

10. DEBTORS

	2005 £	2004 £
Due within one year:		
Amounts due from fellow subsidiaries	595,117	-
Share capital unpaid	2	2
Other debtors	-	15,994
Prepayments and accrued income	5,575	5,141
	<u>600,694</u>	<u>21,137</u>
Due in more than one year:		
Amounts owed by fellow subsidiaries	3,184,454	2,804,295

Amounts due from fellow subsidiaries are not secured and have no set repayment terms. Interest is charged on the balance at a rate of LIBOR +1%.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Amounts owed to parent undertaking	1,318,583	539,493
Corporation tax payable	40,436	36,887
Other taxes and social security	1,771	1,769
Accruals and deferred income	22,542	28,261
	<u>1,383,332</u>	<u>606,410</u>

Amounts due to the parent undertaking are not secured and have no set repayment terms. Interest is charged on the balance at a rate of LIBOR +1%.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £	2004 £
Amounts owed to parent undertaking	7,549,434	7,549,434

This amount falls due after more than five years and is not secured. Interest is charged on the balance at a rate of LIBOR +1%.

SODESM PROPERTY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

13. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised: 100 ordinary shares of £1 each	100	100
Called up, allotted and not paid: 2 ordinary shares of £1 each	2	2

14. REVALUATION RESERVE

	£
At 1 January 2005 - as previously stated	-
Prior period adjustment (note 1)	2,000,975
At 1 January 2005 - as restated	2,000,975
Revaluation in year (note 8)	341,667
Transfer to profit and loss account	(29,433)
At 31 December 2005	2,313,209

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (DEFICIT)

	2005 £	2004 as restated £
(Loss) profit for the financial year	(123,892)	21,421
Revaluation surplus (note 8)	341,667	2,000,975
Net addition to shareholders' funds	217,775	2,022,396
Opening shareholders' deficit - as previously reported	(1,513,422)	(1,534,843)
Prior period adjustment (note 1)	2,000,975	-
Opening shareholders' funds (deficit) - as restated	487,553	(1,534,843)
Closing shareholders' funds	705,328	487,553

16. FINANCIAL COMMITMENTS

The company's principal financial assets are the bank balance and the inter-company loans to a fellow subsidiary. The credit risk on the bank balance on liquid funds is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

17. ULTIMATE PARENT COMPANY

In the opinion of the directors, the immediate and ultimate parent company and ultimate controlling party is Power Corporation of Canada, a company incorporated in Canada.

Group accounts are available from 751 Victoria Square, Montreal H2Y 2J3, Canada.

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under section 3 (c) of FRS 8 (Related Party Transactions) not to disclose details of transactions with fellow group companies.

The directors of the company, Adrian J Pink and Anthony J Thompson are partners in Withers LLP, a firm of lawyers. During the year, Withers LLP charged Sodesm Property Limited £39,778 (2004 - £43,875) for management services. At 31 December 2005, the amount due to Withers LLP was £26,670 (2004 - £12,431)

Mr P G Desmarais is a director of the parent company, Power Corporation of Canada. During earlier years, Mr P G Desmarais used a property previously owned by the company for his own personal use. This property was sold in 2003. At 31 December 2005 the amount due from Mr P G Desmarais was £nil (2004 - £15,994).

The maximum amount outstanding during the year was £15,994.